

6 MAY 1977

MEMORANDUM FOR: Director of Central Intelligence
FROM : Comptroller
VIA : Deputy Director of Central Intelligence
SUBJECT : Further Thoughts on PRM-11 Issues

1. During your session with us the other day on our paper on the options available under PRM 11, you asked several fundamental questions about the nature of the authorities we thought you needed to do your job. Following the meeting we spent some additional time talking with Mr. Bader about his related efforts and got from him some further insight into your questions. As I understand it, you have divided the question of authorities into three basic areas: those dealing with the ability to task the Community to do your bidding, those which involve enhanced budgetary authority, and those which deal with line authority. Mr. Bader suggested that a paper dealing with some of the issues inherent in these concepts might be helpful to you, and we offer the following.

2. We see the problem similarly but would argue that line authority and tasking are in fact one and the same thing. Tasking in our view is a subset of line authority and not an independent, stand-alone variable. But let us take you through our reasoning. To do that we will talk about the tasking question first, then line authority, and then budgetary authority.

3. There is a good deal of confusion surrounding the concept of tasking. Let us elaborate on two different views as to what tasking means. You are today under the 1947 Act charged with pulling together intelligence from all the various producers and collectors in the Intelligence Community and integrating it for the consideration of policy makers. You thus have the legal authority to ask for the product of all Community components and to ask collectors to collect certain kinds of information. In the case of CIA you cannot only ask that the information be collected but direct that that task

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be accomplished; and if it is not done to your satisfaction, you are in a position to change that. With respect to the other collection entities in the Community, however, all you really can do at the present time is ask. The mechanisms available to you to ask the Community to contribute on problems basically consists of the DCI committee structure, which is a vehicle for the articulation to others of your requirements and needs. You have at the present time all the authority you need to ask through these mechanisms that work be done. What you lack is the ability to enforce those requests, i.e., to ensure that requests are met in whatever timeframe is appropriate. Because the DCI's role in the Government is important and cannot simply be ignored, the collegial committee process resting essentially on the consent of the participants often works, although rarely as crisply and efficiently as is ideally possible. In short, tasking should mean not only the ability to ask for information but the ability to ensure that you get it. The former you have; the latter you lack. It is line authority over the Community components involved which would give you the latter. It is for this reason that we would argue that the concept of tasking is in fact integral to the concept of line authority.

4. What would it mean if you had the ability to task the Intelligence Community to answer to your needs in the way we have suggested above? To answer this question, we picked the management problem you mentioned at our recent meeting--how far does your present staff authority have to be augmented to gain effective control over NSA? Or, as you put it, how much of the existing dotted line between the DCI and NSA would have to be inked in to give the DCI the necessary authority to manage NSA? As the solid line representing the authority of the DCI over NSA increasingly replaced the dotted line of staff guidance, the solid line that now extends from the Secretary of Defense to NSA must be correspondingly broken to reflect the DCI's increased authority. Thus, we have a twofold problem. Any increase in the DCI's ability to direct or manage NSA must be accompanied by a proportionate diminution of the power Defense now holds over NSA. The force of logic influences us to state that you cannot both have line control and not have it; or to answer that there is no such thing as a little line control. It seems to be indivisible. The owner of the heaviest solid line calls the shots and establishes the ground rules for the other players. But let's look at what powers the DCI now has to make NSA responsive to his direction and, then, enumerate what we think he must have to carry out his responsibilities. Some place between the powers the DCI now has over NSA and those we believe he should have, the border between the dotted staff line and the solid command line will be crossed.

5. The DCI is faced with two distinct management situations as he strives to carry out his responsibilities to the President. He must manage the diverse resources of the Intelligence Community toward the fulfillment of long-term national intelligence objectives and, on an ad hoc basis, he must be able to utilize these same resources to support the President in crisis situations. Crisis management puts a different stress upon management capabilities than do the work-a-day problems he faces that are not time urgent. Therefore, we should examine the need for increasing the DCI's authority over NSA in both situations.

6. The DCI's present ability to "direct" NSA is made up of three separate but obviously interrelated approaches. First, is his unquestioned authority to promulgate broad collection guidelines in the form of Key Intelligence Questions and other more specific national intelligence requirements. Secondly, he can, through the budgetary process, veto some NSA activities, change the pace of on-going activities where progress is closely related to dollar limits, and he can encourage new initiatives by providing funds to encourage NSA-originated initiatives. Lastly, he can selectively use the force of his personality and his access to the President to bring a recalcitrant Agency into line. The promulgation of broad guidelines and the selective use of special access to higher authority are textbook mechanisms that are traditionally used by staff personnel to get the job done. Strong budgetary power is one of the keystones of line authority. Thus, the DCI today has the usual staff powers plus one of the essential elements of line authority. The other essential element of line authority is the capability to reward directly those who effectively carry out their assigned responsibilities and to punish just as directly, those who do not. The rewards and punishment element of line authority encompasses the ability to hire and fire personnel, to have unrestricted access to all parts of your subordinate organizations and to evaluate the performance of subordinates against the tasking they have been given by their chief.

7. How can the DCI use the tools he now has to direct NSA? If the DCI decides that the needs of national intelligence require more economic reporting and less military reporting from NSA, he can issue collection guidance requirements that "task" collection systems to increase their economic reporting. No one will question the DCI's right to issue collection guidance and if the Director, NSA, and the Secretary of Defense agree with the DCI, the necessary adjustments will be made. If they do not agree, the collection ratio between military and economic coverage will remain more or less the same. The DCI, in the course of time, will find out that NSA is not responding to his tasking. At this point, he can wait for the next

budget cycle, or he can appeal to the President to tell the Secretary of Defense to honor the DCI's request to collect more economic intelligence. The DCI may decide this is really not a proper problem to bring to the President's attention, and the DCI will then have to pick up his budget stick. He will soon discover, however, that he cannot find an effective place within NSA to use the budget stick to cause a shift from military to economic reporting. The same collection systems serve both reporting categories. This is also true of the processing mechanism. There is nothing to veto; no unit to deprive of funds and no slots he can refuse to fund. The choice may be to cripple the ability of NSA to collect intelligence at all or to let them continue their practice of selectively responding to DCI collection guidance. Thus, all the tools in the DCI's inventory can prove to be ineffective in the most elemental test of his powers--the bringing of collection systems into line with national intelligence needs. He can, of course, given a world of "limitless" resources, give NSA the extra funds they would need to expand their overall collection capability in general and thereby increase economic coverage, but that is rarely a real option.

8. As would be expected, a crisis situation which calls for a rapid shifting of collection emphasis to support the President's need for the rapid formulation of foreign policy initiatives shows even more clearly the handicaps the DCI must overcome to orchestrate collection and production resources. With his present powers, the DCI can order his human source collection mechanism to respond, and the DDO will move immediately to redirect its collection assets. The DCI's Human Resources Committee is not even relevant to this process. In fact, most DDO collectors have only the vaguest notion of this Committee. One leg of the DCI's collection triad has responded immediately to his direction. The other two legs of the triad, represented by SIGINT and reconnaissance systems, are not as easy to redirect in crisis situations. The assets of the CCP and the NRP are owned by the Secretary of Defense. If the Secretary perceives the crisis with the same level of priority as does the DCI and if he agrees with the "trade off" involved with any redirection of collection assets, then all will go relatively well. The DCI's SIGINT and COMIREX Committees will work their collegial magic, and the technical collection systems will slowly swing around to focus on the crisis. The DCI has effectively matched Community resources with national intelligence needs. Or has he? Maybe the Secretary of Defense played the key role. For what would have happened if the Secretary had not agreed with the importance of the crisis and refused to go along with the collection trade off that would occur if his CCP and NRP assets were moved from their standing collection responsibilities? In that case the collegial committee process would not

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work as harmoniously. The inevitable compromise process in with its attendant delays, and the DCI's effectiveness in focusing Community resources on a crisis area would not be as impressive. In essence, the DCI can do anything with the resources of the CCP and the NRP that the Secretary of Defense lets him do. In short, you are not in a position to make trade off collection decisions because it is the Director of NSA who must do the balancing between your needs and those of the components or organizations which he serves most directly in a command sense. Giving you line authority over the two other parts of the Community as suggested in our earlier paper, the NRO and the CCP, would put you and not the Director of NSA in the position of weighing the competing intelligence and military needs. And it is, of course, for this reason that Defense will most strenuously argue with proposals to remove these components from the Department.

9. If Defense controls the resources of the CCP and the NRP, and if the DCI has essentially the same staff guidance relationship to both, why is it that the reconnaissance assets seem more responsive to DCI guidance than do the COMINT collectors? Of the two technical DCI resource tasking committees, COMIREX works more effectively through the collegial process than does the SIGINT Committee. In fact the COMIREX Committee has often been held up as a model for the other collegial committees to emulate. The answer to this is rather simple. COMIREX assets are limited by technology to collecting data within a narrow spectrum of national intelligence needs. Moreover there is a great degree of Community acceptance of COMIREX targets. Photographs seldom help us to understand the political process of a target nation. They are of limited use against economic targets. Pictures do not tell us much about basic research or the pre-prototype stages of weapon systems developments. Overhead photography, however, is a remarkably effective collector against targets of military significance. The importance of the military targets covered by COMIREX assets is understood and accepted. The limitations of this technology to collect against other targets is also understood. Therefore, the COMIREX Committee meets in an atmosphere of relative harmony with limited possibilities for significant "trade off" arguments. Discounting telemetry and ELINT collectors which enjoy the same relative target commonality as photographic satellites, SIGINT Committee COMINT assets have the technological potential for collecting against all national intelligence requirements. The probability of disagreement is correspondingly broad and the likelihood of agreement without extensive compromise and long delays is improbable. There are, of course, other differences between the collection programs represented by the COMIREX and SIGINT Committees but they are not as fundamental.

CIA's historical role as the technological leader in satellite photography and the physical location of important program managers within CIA and under the line control of the DCI also improve the DCI's ability to match COMIREX resources against intelligence needs. Since the DCI and the Secretary of Defense have fewer disagreements over photographic, telemetry or ELINT targets, DCI requirement guidance is more effective and the need for DCI line control to match resources against requirements is not as critical. The opposite is true with COMINT collectors. Without real line authority there is no way of making sure COMINT collection will be guided by your perception of national intelligence needs.

10. In our meeting on Wednesday, there was a good deal of discussion about what it would mean to you if you were in fact responsible for not only the CIA but also the CCP and NRO in a line management sense. Questions were raised as to whether the management job was so large that your ability to carry out substantive responsibilities would be seriously compromised by the time required to be spent on managerial duties. Basically, we think this is somewhat of a red herring. There are many Government officers who have responsibility and authority over programs larger than that which would emerge if CIA, NRO, and CCP were combined. Further, we think there is a plausible argument that line control over those other two organizations would in fact make your Community resource and other responsibilities easier to handle than they now are. You would then have the more manageable task of making your organization responsive. The collegial Community management process developed over the years and further enshrined in E.O. 11905 is, because it is built on a Presidential order which cannot modify statutory responsibilities, necessarily a cumbersome and time-consuming apparatus. If your real authorities were clearer, it can be argued that the managerial task you would have would in fact be simpler. In the last analysis, the question is really one of delegation. In combining the three organizations, it would be important to build an effective staff organization which enabled you to focus the organization on the questions you wished addressed, and it would be necessary to build procedures to ensure that the large questions in which you wanted to be involved were brought to your attention but the others were handled by subordinate elements. In other words, the way in which you delegated your authority and indeed your management style would probably be as critical to the question of whether or not you had time for substance as would the size of the organization you would be managing.

11. We have talked about tasking and about line authority and argued that one is but a subset of the other. What of the various proposals to give you expanded budgetary authority in the Intelligence

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Community without line authority? To answer this question let us lay out the two different models which as far as we are aware have been attempted in the Government and give you a sense of what each would mean and how it would work.

12. The first of these is essentially reflected in the existing IC staff arrangement. You were given under the Executive Order last year what is essentially a staff responsibility to the President, not unlike that of OMB, to advise him on the appropriate mix and disposition of resources within the Intelligence Community. The authority you have been given under the Executive Order is limited to making a recommendation on the proper allocation of resources. If a decision is made, it must be the President's or the Secretary's of Defense, and you have no legal responsibility for the defense of the program before the Congress or the execution of it once it is approved except in the case of CIA. The ability to recommend actions on the budget is a powerful tool although it has, as we pointed out in our previous paper, limitations.

13. Another model which has been suggested would involve appropriation of funds to you for that portion of the Intelligence Community for which you wish to have a budget responsibility. These funds would be directly apportioned by you among the various programs which make up the Community. In such an arrangement, you would theoretically be given the power to run an effective budget process, to raise issues and decisions with the President, and to defend the program before the Congress, and to execute the budget as you saw fit within any limitations imposed by outsiders. There is precedence for such an arrangement. The so-called poverty program set up by President Johnson in the Office of Economic Opportunity (OEO) in the early 1960s in fact was designed to function in this manner. The basic concept was that funds would be appropriated to the Director of OEO but that the responsibility for actually conducting programs would generally be delegated to other existing departments of the Government. The Director OEO would shape the budget in accordance with his priorities, defend it before Congress, but leave the day-to-day management of, for example, manpower training programs, to someone else, in this case the Secretary of Labor. By the late 1960s when OEO's appropriation was about \$2 billion, about \$1 billion was appropriated to the Director of OEO but transferred thereafter by him to the Secretary of Labor for the conduct of manpower programs. The idea had a good deal of appeal but in fact was largely judged a failure. (The whole program was thought by many to be a failure; here we are discussing only this peculiar budgetary arrangement.) The fact was that the Secretary of Labor had vastly more influence over the budget which legally

was to be prepared by the Director OEO than one would have thought, given the original concept established in law. This happened for very human reasons, and we doubt that were you, for example, to have a similar responsibility with respect to NSA today the situation would be much different. Because the Secretary of Labor operated the manpower programs, because he had good Congressional contacts, because OMB turned to him for advice on these programs rather than to Director OEO, because even the White House turned to the Secretary of Labor instead of the Director OEO for advice, OEO found itself essentially rubber stamping what the Secretary of Labor had already agreed to do with others. In fact OEO was never able to get the Labor Department to concentrate on the areas it thought were important in the manpower program area. Doubtless there have been other analogous approaches to this problem in previous times although we personally are not aware of any of significant size. In this particular case, after a fair amount of backbiting between OEO and the Department of Labor and a growing recognition by everyone that little was gained by appropriating the money to OEO, a decision was eventually made to appropriate the funds for these programs directly to the Department of Labor. No one knew the difference.

14. A net assessment of that experience is that it was not worth the trouble. In addition, our previous paper suggests to you what we believe are some of the other important limitations of the budgetary tool alone are. Also, we explained our view that your assumption of a more far-reaching budgetary role within the Community would lead to demands from others in the Community, particularly the Department of Defense, that you separate yourself from CIA. This in turn would require that you take at least the production apparatus out of CIA so that you would be able to fulfill your most fundamental intelligence responsibility, thereby raising the question of whether CIA without the production apparatus could continue to exist. Perhaps more fundamental from your point of view, however, you would be left with line command over essentially only the production apparatus and faced with a "residual" CIA (i.e., the CIA today minus the DDI and the NIOs) which reported around you in a line command sense to either the NSC or the President. We doubt that the budgetary authorities you would gain would compensate for the losses sustained through your separation from the CIA and the end runs which would, we think, occur with some regularity.


15. Thus, we return to the argument posed in the earlier paper, that it is line command over the essential elements of the Community which you need to do the job which others expect you to do. In this connection, we might explore one further option. If it is clear

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that it is line command over the Intelligence Community which should be established, is it necessarily clear that it is the DCI who should exercise this authority? Why not, for example, make the CIA responsible to the Secretary of Defense and establish a position of Intelligence Community czar within the Department of Defense? This solution is conceptually the same as giving line authority over the Intelligence Community to the DCI, and it would solve the Community management problem analyzed in our earlier paper. This arrangement would have the great strength of not provoking an enormous battle with the Department of Defense. In avoiding that battle, however, we believe that you would create several others which would be equally, if not more, difficult. Perhaps the only issue on which almost any Congressman (from conservative to liberal) will agree regarding CIA is that it must be independent of the policy making apparatus of the Government. A proposal to include CIA within the Department of Defense would we think provoke a very strong and negative reaction. In a large study of this question last year, we pursued this option at some length and considered whether there might not be some arrangement which would accommodate to those concerns. We considered, for example, the idea that the DCI might be established as a statutory official within the Department of Defense responsible for the management of all intelligence including CIA and that in an arrangement similar to the Joint Chiefs of Staff, he would be able to see the President independently on substantive or other matters of concern. The concept has a certain appeal and it would in fact solve a number of managerial concerns. In the last analysis, however, we believe that the approach is flawed. Customers in departments and agencies other than Department of Defense would see such a move as a threat to the support which they now receive. This would be particularly true in the case of the Department of State. We doubt that a CIA lodged in the Department of Defense could attract the quality of personnel it needs to do its job, primarily because the intelligence profession must always be viewed within Defense as support to the Department's primary responsibility to guarantee the nation's military security. Despite legal provisions guaranteeing the independence of the Director in a substantive sense from the Secretary of Defense, we doubt such independence could in fact be guaranteed or that others would believe that it could.

16. We hope that this paper is helpful to you. We would be happy to either pursue some of these ideas further on paper or explore them with you in another meeting. There may also be practical problems on which you may like short papers. One of these might be concerned with the management structure you might need to exercise line control over CIA, NSA and the NRO.


James H. Taylor
Comptroller

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Remarks:

Attached is a copy of the final paper which Mr. Knoche forwarded to the DCI.

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PRM-11

4/22/77

DCI

A week or 10 days ago, we agreed I would assemble some CIA views concerning PRM II and organizational intelligence matters.

This paper is the result of a collective look at some issues and alternatives. It is no single person's view but it represents an institutional, Agency view.

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I have sent a copy to When you've read it over, you may want to meet with the collective CIA group that put it together.

H. Knoche

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CIA VIEWS ON THE FUTURE MANAGEMENT OF THE INTELLIGENCE COMMUNITY

22 April 1977

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CIA VIEWS ON THE FUTURE MANAGEMENT OF THE INTELLIGENCE COMMUNITY

TO : Director of Central Intelligence

FROM: Deputy Director of Central Intelligence

It seems evident to us that your role as DCI and the way in which the Intelligence Community is managed are going to be altered, to some extent, either by legislation or Executive Order. In the debate over past problems and the discussion of new "guiding" principles that are being advocated by the diverse interest groups involved in this process, there is a real danger that too much attention may be diverted from the basic issue. As one of the involved organizational interest groups that will be, perhaps, dramatically affected by organizational changes, and because we were here and were a part of the process that has shaped the DCI's role, we wanted to present the problems and issues as we understand them. We have not examined all possible options, nor do we intend this paper to be considered as an alternative to the PRM-11 study. Our insights and analysis are based upon our collective experience modified and sharpened by the clarity hindsight always provides.

Summary

In any discussion of the future management of the Intelligence Community, the role of the DCI emerges as the central issue. Does his authority allow him to carry out his job as the head of the Intelligence Community in general and of the CIA in particular? In our paper we have tried to define the DCI's responsibilities and to balance them against his enabling authorities. We found that there is a serious imbalance in the DCI's ability to manage the resources of the major components of the National Foreign Intelligence Program. While the DCI's responsibilities are clear, it is just as apparent that he cannot be expected to improve significantly the intelligence product by matching resources against national

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intelligence requirements unless he has line command as well as budgetary authority over CCP, NRP and CIAP. Nor can he ensure that intelligence activities of the Community are compatible with the Constitution and Presidential policy guidance without real authority over the Community. The process of logic, the experience of the past several years, the evolutionary trend toward centralization in the Community, and the demands of a changing world for improved and more responsive intelligence production capability have led us to this conclusion.

Basic Options and Recommendations

In the planning for the reorganization of the Intelligence Community there is only one non-negotiable principle. The United States must continue to have at least as effective an intelligence capability as it has now. In our view there are two basic motivations which should underlie proposals for basic change in the Intelligence Community—a desire to improve the quality of the intelligence product and to provide more efficient management. We and the Senate Select Committee place more weight on the former; OMB and the House Appropriations Committee will probably focus on the latter; the President wants and the country deserves both. For us, at least, the key question is: How do we get better intelligence? Under any reorganization, the head of U.S. Intelligence can only carry out his responsibility to protect and enhance the national security if he is given sufficient and appropriate authority. He must be effectively supported by an all-source production unit, an overseas oriented clandestine collection capability with viable cover, innovative technical collection capabilities in the SIGINT and reconnaissance areas, and such other support units as may be required.

With PRM 11, the question of whether to give to the DCI somewhat more authority, a lot more authority, or perhaps to abandon the effort to weld the various intelligence components into an effective community is once again the subject of heated debate. In the last analysis, there are only three fundamental options, though there are many detailed variations on these themes, and all focus on the central issue in the current debate, your responsibilities and authorities.

Should the DCI's responsibilities be reduced to those he can handle under his present authorities? This option would presumably be based on a frank assessment that there is really no way to give the DCI an effective role in the management of the Intelligence Community, save that which he now has in the production world by virtue of the 1947 Act, and thus that the sensible approach would be to return to the basic arrangements which applied before the creation

of a serious effort to give the DCI budgetary control within the Intelligence Community. It would however be a step backwards for those who regard effective central management of American intelligence as important. Pursuing this approach would be an admission that the Executive Branch cannot solve what many in the Community and in the Congress consider an important management problem. We would in fact be acknowledging that only the Congress can cope with the managerial and budgetary issues which arise between components within the Intelligence Community.

What would happen if the DCI's statutory authority over the Intelligence Community budget or some significant part of it was increased? Giving to the DCI real budgetary authority (in contrast to what is now essentially a staff role with respect to preparation of the Intelligence Community budget for the President) would greatly increase his leverage and hence his ability to shape the Intelligence Community. There is, however, a basic problem: Giving the DCI statutory responsibility over budgetary matters outside CIA without also giving him line management authority would mean that the Director of NSA, the Director of the NRO, and possibly the directors of certain other components of the Community (perhaps including CIA) would have two bosses: one to whom they responded on general management and policy issues, and one to whom they responded on issues having to do with the budget. Such an arrangement would be awkward, to say the least---both for program managers and for the DCI of the future.

Would an increase in the DCI's statutory budgetary authority and his line management authority over major parts of the Intelligence Community be a wise choice? This is the classical solution for every similar management problem: Make one man responsible for the management of the whole enterprise and hold him accountable for doing a good job. From the DCI's perspective, the most important parts of the Intelligence Community not under his operational control are the Consolidated Cryptologic Program (CCP) and the National Reconnaissance Program (NRP). Removing the CCP and the NRP from the Department of Defense may not be politically feasible. It is, however, workable if approached with a spirit of trust, cooperation, and institutional responsiveness to military requirements, and it could provide unified command over all national intelligence activities and ensure increased efficiency and coordination of national intelligence programs.

We believe it is line management authority over important elements of the Intelligence Community which the DCI needs to do the job which many expect him to do. But let us take you through the reasoning that led us in CIA to recommend this choice instead of a more evolutionary approach.

The DCI and How He Got There

CIA was established by the National Security Act of 1947. For approximately the first 20 years of its existence the DCI functioned effectively as the head of the CIA. Few within the Executive Branch or in the Congress paid much serious attention to the Intelligence Community as a community or to the DCI as head of that Community. CIA existed in some isolation, certainly in comparison with today, from its partners in the intelligence process and tended to see itself as an elite organization somewhat aloof from others in the Community. At the same time, until relatively recently, CIA functioned in a highly decentralized way with real operating authority largely delegated to the four line Deputy Directors and with DCIs who selected those issues of interest to them and pursued them inside and outside the Agency but who generally did not consider themselves as managers of the whole of CIA.

Both of these characteristics of CIA during this period flourished because the President, the Congress, and the public had relatively low levels of interest in CIA and because the Agency's goals and methods, to the extent they were understood, enjoyed wide public and Government support.

During the late 1960s and early 1970s a number of developments began to call into question these relatively well established patterns. Growing public disaffection over the U.S. Government role in Southeast Asia and the Agency's prominent part in it promised eventually to create an atmosphere of massive public mistrust of Governmental decisions made in secret and to call into question much that CIA did. Watergate clearly contributed to public perceptions about the need for secrecy in Government and raised troubling questions for many components of the Intelligence Community who were sometimes accused of operating secretly only to conceal embarrassing mistakes. In that explosive atmosphere a New York Times story on alleged abuses by CIA during the 1960s generated a very vigorous move by both houses of the Congress to examine in great detail what had previously been largely ignored or accepted in many cases (though not always) as normal and acceptable.

In retrospect, another important development occurred during this period and continues to affect us very much today: the 1971 study of the Intelligence Community carried out at OMB by Jim Schlesinger, later to become DCI. Broadly, the study asserted that the Director should be an effective head of the whole Intelligence Community and argued that the lack of leadership within the Community had produced a serious management problem which needed attention. Dr. Schlesinger observed that the lack of leadership over the whole

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Community and the relative insularity of the various components of the Community led to duplication of effort and waste, and lowered the quality of the product. Dr. Schlesinger recommended the creation of the Intelligence Community Staff and broader involvement of the DCI in the Community resource review function.

Public attitudes arising from the U.S. Government's conduct of the Vietnam War, the Watergate situation, critical internal Executive Branch looks at Intelligence Community management, and the investigations by Congress—far from assuring the public and the nation's leadership that intelligence was effectively managed and under adequate oversight review—have so far led instead to continuing examination of the problem. Today it seems clear that the Executive Order issued by President Ford last year, a serious effort to establish workable mechanisms to cope with many of the problems identified in recent years, was only an interim step in the further definition and solution of a larger problem.

Working within the existing framework of legal authorities which give the Department of Defense legal responsibility for the conduct of some 80 percent of the Intelligence Community program (in budget terms) and the Director of Central Intelligence direct authority for only 20 percent of the program, Executive Order 11905 further codified the broad consensus which has emerged in recent years that someone should be in charge of the Intelligence Community, and that "that" someone was the DCI. On the other hand, because existing authorities did not permit giving legal authority for all aspects of the Community to the DCI, the framers of the Executive Order adopted a collegial management arrangement in which the Director would attempt to control the budget process as a first among equals, and the White House itself would assume some responsibility for the control of possible impropriety through the establishment of an Intelligence Oversight Board.

In assigning more and more responsibility to the DCI for Community management, however, both the Schlesinger report and the Executive Order made it more and more difficult for the DCI to function as the head of CIA. The Executive Order implicitly recognized this when it stated that the Deputy Director of Central Intelligence should be responsible for the day-to-day management of CIA.

Pushed towards responsibility for the whole Community, but lacking the legal authority to assume that responsibility and very mindful of strong Presidential and Congressional desires that they assume leadership, Directors have taken advantage of such mechanisms as are available to them to lead without a clear basis

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in statute. This has caused difficulty within CIA, where there is a widely-held perception that recent DCIs have bent over backwards to cooperate with other elements of the Intelligence Community, sometimes at the expense of CIA, in order to preserve their ability to carry out their Community leadership role. Within existing legal authorities, it is easy to see why this perception would exist. Many are aware that the fabric which knits together the Intelligence Community is extremely frail, that it depends heavily on personal not institutional arrangements and authorities, and that serious problems which pit one component of the Community against another must be avoided at any reasonable cost in order to preserve the fabric of the Community and the DCI's ability to function as its leader.

There is another problem which was caused by the collegial arrangements created by the Executive Order. As the CFI (now the PRC) has evolved, it is increasingly clear to many members of the Intelligence Community that individual components need to take steps to help insure that the PRC principals are adequately informed in detail on the issues presented. This has produced pressures on individual Community components, like CIA, to inform a wider audience than ever before of the need for decisions on programs which go to the PRC for approval and--in effect--to be as responsive as possible to demands for information in order to assure that the "right" decisions are made. Because it has been physically difficult to get busy PRC principals together for meetings--and because the more widely based the decision-making process becomes, the more necessary time-consuming prior coordination and information sharing becomes--there has been in the minds of many within CIA a general degradation of the quality, crispness, and security of the decision-making process.

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Similarly, increasing outside demands for information about the Intelligence Community and CIA have created internal pressures for centralization of certain kinds of decision making, certainly in the Community as a whole, but also within CIA. As people outside the Community ask increasingly informed and penetrating questions about individual programs which relate or appear to relate to other parts of the Intelligence Community, there is an increasing need for centralization of decision making to insure that the Community has properly coordinated itself before it is subject to such probing. Similarly, within CIA historic decentralized patterns of management have been changing rapidly to accommodate to these outside pressures. A CIA case in point: The [] agent satellite was lost to Congress in its consideration of the 1977 Budget largely because of outside perceptions that the Science and Technology Directorate was building a satellite which the Operations Directorate was not convinced it

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needed. Thus, searching outside questioning is for the consideration of many problems. In the not too distant past, this was only rarely required and hence all too often not pursued.

While the Executive Branch and the Congress were in effect telling the Director to assume more and more responsibility within the Community but failing to give him the necessary authority to do so; Congressional interest, growing out of the investigations, in control and oversight has been working simultaneously to enhance accountability not only over CIA but over other parts of the Community as well. As this process has broadened and deepened, however, CIA has perceived its past flexibility--the very thing which made it different and better in the eyes of its own employees--as diminished.

In recognizing that the DCI was becoming more and more a Community creature and less and less a Director of CIA, the Executive Order wisely noted that the Deputy Director should assume the CIA leadership role. However, the DDCI is the only "program manager" within the Intelligence Community who works directly for the DCI. Because of this unique relationship, it is awkward for him to push aggressively for the interests of CIA during a jurisdictional or resource allocation dispute with another "program manager." The DDCI, therefore, is different from other managers who can exercise lesser restraint and who have another appeal route through their line command organizations. The problem becomes particularly acute when the DDCI is aware that in pushing his own Agency's interests he may put the Director in a position which threatens the frail arrangements he has for coordination in the entire Community. This problem is but a symptom of the larger management problem referred to, namely, the Director's lack of authority over the entire Community to cope with the responsibilities which others expect him to carry out.

In sum then, for a variety of reasons, as many have demanded that the DCI assume a larger Community role, the arrangements under which he has been forced to do so have made it increasingly difficult for CIA. This should not be construed as an argument for a return to the halcyon days of the 1960s. It seems clear enough that the demands for leadership of the Community require attention instead to a firmer articulation in law of the Director's responsibilities and authorities for the whole Community or a substantial part of it.

The DCI -- Powers and Responsibilities

DCI responsibilities within the Community now appear to fall into two categories; those for which he has adequate real authority

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accepted by most in the Intelligence Community and those for which he does not. Basically, we believe the DCI has adequate authority or status to fulfill the following responsibilities:

- Advisor to the President and the NSC;
- Collation and production of national level intelligence for civilian and military needs;
- Covert action;
- Control of intelligence related liaison with foreign governments, and protection of sources and methods, (within CIA, though probably not in the Community as a whole).

At the present time we believe the DCI lacks the necessary authority to carry out these responsibilities well:

- Management of intelligence community resources;
- Warning and crises reporting;
- Coordination of counterintelligence activities;
- Representation of the Intelligence Community before Congress;
- Coordination of Community collection resources;
- Requirements and collection guidance direction for the Community;
- Evaluation of the effectiveness of national intelligence programs and ensuring that intelligence activities are compatible with our democratic system and policy objectives.

The nation and the Intelligence Community have lived with this situation for some time now and may be able to make do for some years while we wait for the evolutionary process to centralize the necessary enabling authority in the Office of the Director. Four separate but interrelated forces, however, appear to be working against the evolutionary process as a solution.

The pace of centralization in the Intelligence Community is being encouraged by advancing technology involving more complex

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opposing weapons systems, nuclear proliferation, near real time collection systems, and the increasing need for centralized integrated data processing techniques that are necessary to enhance our warning and crisis reporting. The growth of the Director's Community role is being accelerated by the desire of both Congress and the President to achieve Government efficiency through streamlining and reorganization, as well as post-Watergate legislative efforts to make the Intelligence Community more accountable to Congress and our democratic system. Finally, the diminishing availability of real dollars for intelligence purposes also argues persuasively for centralized management in order to ensure the most effective use of resources to meet the intelligence requirements of the consumer.

The DCI as the Intelligence Resources and Production Czar

There are basic variations in the organizational structure that would strengthen the DCI's role as the head of the Intelligence Community. The DCI, as the SSCI Bill suggests, could be given budgetary authority over all the Intelligence Community or major parts of it. This would mean that all funds would be allocated to the DCI for disbursement to the separate components of the Intelligence Community. The DCI would then have a strong resource tool that he could use to exert influence over the Intelligence Community. But what would the Community look like and, if this approach were pursued, in particular, what would happen to the DCI's position as the head of the Community?

To enhance his role as the President's Intelligence Resources Czar and principal foreign intelligence advisor, the DCI probably should move his office to a central location physically near the President. His status in the Community would be increased by proximity to the President and the move would further demonstrate that the role of the DCI was, in fact, changed. To assure others in the Community and elsewhere of his objectivity, it would also be necessary to separate the DCI from his line control over the CIA. Physically and logistically detached from CIA, however, the DCI would need either to take part of CIA with him or to create a new staff to assist him in carrying his dual role as the President's principal intelligence advisor and the Exchequer of the Intelligence Community. The latter function could be handled by the existing IC Staff organization though it would probably be reorganized somewhat to deal with its responsibilities in a new context. The more detailed the use of his budgetary authority, the larger the DCI's staff would have to be.

The staff he uses to support him in his role as the President's intelligence advisor would also be dependent upon the depth of his attention to the production process. The DCI may elect to use a small staff like that of the National Intelligence Officers to oversee the

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production of the important process of national intelligence and to provide substantive support for his Presidential advisory role. Approved For Release 2004/05/13 : CIA-RDP91M00696R000200010009-5

Alternatively, he could co-opt the entire Directorate of Intelligence and exercise direct control over the production mechanism, probably blending the NIOs into the DDI or vice versa to create an integrated national production unit. The DDI could report directly to the DCI but should probably continue to be physically housed at CIA Headquarters. Thus, under this arrangement, the DCI and the IC Staff would be located downtown while the DDI would remain in the CIA headquarters building. The DCI would exercise line control over the IC Staff and the DDI. CIA would be reconstituted as a new organization containing what is now the DDO, the DDS&T, and the DDA and would continue to report to the NSC for policy control and guidance. Similarly, the NRP and the CCP program managers would continue to report to the Secretary of Defense on all but resource matters.

The DCI would now have the organization and the statutory authority to advise the President and to control the financial resources of the Community. He still, however, faces some formidable problems.

While he exercises budget and fiscal control over the Community, he has line control only over the intelligence production component. The "collectors" report to different masters for command direction. Lack of line control over the major collectors would seem to limit the DCI's ability to make the collection mechanism more responsive to his national intelligence requirements and, in the last analysis, to focus the collection effort in support of the production process.

Our experience with the budgetary influence the DCI was able to exert over the Intelligence Community through the mechanism of the PRC has indicated that the purse string can be used effectively generally to influence or to coordinate national programs over a two or three-year period of time. By itself, however, the budgetary process is not sufficient to carry out all the basic responsibilities that we have listed above. For years, although OMB has had budgetary control over Government departments and agencies, it has not been able to use this power to exert the kind of direction over them OMB believes is desirable. The budgetary process can be used much more effectively negatively than it can positively. With this power you can exercise a slow veto over programs you wish to terminate but it is difficult to exercise bold initiatives or to explore new and imaginative programs solely through the control of funds in a long budget cycle. Instead a DCI needs to have the major collection systems immediately responsive to the requirements of his production organization. Over time it has become clear that some of these systems, particularly those in NSA, are in real life somewhat less

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than responsive to his requirements and that all of them can only be brought to respond through cumbersome, sometimes bewildering, and time-consuming collegial procedures. Moreover, the lack of central authority has meant that the case for the development of certain collection capabilities clearly needed to solve important analytic problems has not been effectively made either to Congress or to the OMB. [] the contemplated follow-on to [] is a particular case in point

In summary, the DCI as Resources and Production Czar, measured against the yardstick of responsibilities vs. authorities, has significant problems. He does not have command authority over covert action programs, community collection resources and intelligence-related liaison with foreign governments. Thus, his ability to represent the Intelligence Community before Congress, to make collection systems more responsive to the national intelligence production process with the ultimate aim of improving the final product, and to ensure that intelligence activities are compatible with policy guidelines and our democratic system, appears to be handicapped. In fact, the DCI, even with vastly increased budget and fiscal authority, still cannot balance his responsibilities with enabling authorities. Separating the DCI from CIA, his sole power base, without giving him broader command powers could result in less coordination of collection activities and a larger gap between collection and production with a resulting diminution of our national intelligence product.

The DCI and A Fine Tuning Option

Before going on to an option that gives the DCI both line and budgetary command over the Intelligence Community, let us examine what could be done to change the status quo enough to improve the national intelligence product and to meet the desires of the President and the Congress. Some have suggested that the DCI could maintain control over CIA and use somewhat increased budgetary authority to manage the Intelligence Community. Depending upon the extent to which his present budgetary powers are increased, this option, from an internal CIA view, could be called "fine tuning." For example, the DCI could be given the budget preparation powers he now must exercise in a collegial context within the PRC. He could, under this arrangement prepare the entire budget of the Intelligence Community for submission to OMB and exercise reprogramming powers without the need for concurrence from State or DOD. This is a significant step short of the management responsibilities under the Czar option, as the DCI would not be responsible for administering the budget after Congress had acted to appropriate funds except in the area of reprogramming. This option increases the DCI's ability to use the budget tool to manage the

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Intelligence Community but falls short of enabling him to provide imaginative leadership over the Community, for the budget tool is too cumbersome a mechanism to use to stimulate the Community to develop imaginative and resourceful approaches to meet future demands for an improved intelligence product.

If we increase the DCI's budgetary authority, as stated in the SSCI Bill, we significantly increase his authority over the Intelligence Community, as he is now responsible for disbursing the funds allocated to him throughout the Community. Giving this power to a DCI who has also maintained his control over CIA goes far beyond what could be titled a "fine tuning" option. Moreover, it is doubtful that the rest of the Intelligence Community, irrespective of the extent of his budgetary authority, would readily accept a DCI as the head of the Community who had not separated himself from CIA.

Under this option the DCI would control the production of national intelligence and maintain his command over CIA and the Community's clandestine collection and covert action capability. He still would have difficulty, however, in representing the Intelligence Community before Congress and in directing the collection resources of the NRO and NSA. While his direct influence over the Intelligence Community would not be improved to the point that he is capable of meeting all his responsibilities, he would not lose the ground he would lose in the Czar option essentially because he could retain his direct control over CIA. Improvement in the responsiveness of collection agencies to the requirement of the national intelligence process, provision of an effective oversight authority for the Community, and an increase in efficiency from a more centralized management authority would have to await for a further development of the evolution process.

The DCI with Line and Budgetary Authority over National Programs

The Czar and "fine tuning" roles for the DCI outlined above, both in varying degrees, meet two tests of the DCI's requirement for sufficient authority to manage the Intelligence Community efficiently, and thereby improving the intelligence product. First, he would directly control the production and analysis of national intelligence. Secondly, he would have the budgetary authority that is an essential part of any management system. Neither of these two roles, however, give him the ability to integrate the collection and production elements of the Intelligence Community. It is difficult to see how the intelligence product can be significantly improved without the ability to orchestrate

collection systems and production components. Budgetary powers are inherently not sufficient to affect the DCI's personal relationship with national program managers as a management device when critical issues are at stake is not likely to prove any more effective in the future than it has in the past. Following this chain of reasoning leads to the conclusion that the DCI should have as much authority over the other two major national programs as he does over CIA.

If we emphasize the DCI's role as the President's substantive intelligence advisor, that in turn requires that the DCI have an independent intelligence production capability under his control, and the time to shape its output to meet presidential and other national requirements. Such a DCI cannot spend the bulk of his time either on management and resource problems or on fighting fires stirred up by the Congress, the press, and the Department of Justice.

A DCI with a relatively small staff could have under him three statutorily established separate agencies. Their directors would report to him and their budgets would be allocated to him. But under authority delegated by the DCI their directors would be responsible for the management and administration of their agencies. The Directorate for Intelligence would remain within the CIA for purposes of management and administration, but the Deputy Director for Intelligence would report directly to the DCI on substantive matters. Undoubtedly this arrangement would create some management difficulties for the new Director of CIA. Given line and budget control over CIA, CCP and the NRP, which use 80 percent of the dollars and 75 percent of the manpower, the DCI would be able to balance his ledger of responsibilities and authorities. The foreign intelligence units of the Community represented by State/INR, DIA, intelligence arms of the uniformed services, ERDA, FBI and Treasury fulfill important departmental needs. But their programs are small and little, if any, increases in either efficiency or monetary savings could be expected to accrue from centralized management. Thus we would not include these programs within the DCI's direct purview. In addition to the expected benefits to be gained from a unified command structure, DCI line and budgetary control over the national intelligence programs would meet the major concerns of the Congress and accomplish a balanced authority for the centralization and the accountability of the Intelligence Community without destroying the opportunity for dissent from departmental units.

Such a solution would create a DCI not overly burdened with management. He would have capabilities for intelligence production under his direct control and the authorities necessary to ensure that collection served those capabilities properly. It would preserve

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the integrity of CIA and the serious benefits of the NRP and CCP would remain separate, And, because in this first stage the NRP and CCP would remain separate, it would be reversible, either if the arrangement proved a failure or in the event of war. This last would make it at least marginally more palatable to the DOD. Moreover, it is a real change, and one that should satisfy the President's desire for centralized authority. It would not go as far toward efficient centralized management as the DCI's power would allow but the preservation of the unique qualities and strengths of CIA seem to us worth this cost. Overall, it would place relatively more weight on the DCI as substantive adviser to the President and relatively less on the DCI as administrator.

At a later stage, after the dust had settled and after the DOD was persuaded that the detachment of the CCP and NRP had been accomplished without reducing the intelligence support afforded to it, rationalization of the various collection capabilities under the DCI might be undertaken.

This option presents the greatest potential for a significant increase in the ability of the Intelligence Community to collect, analyze and disseminate national intelligence. It also contains the danger of leading to a considerable decrease in our present capability because of the possible weakening of CIA through the separation of the DCI. Which of these two diverging paths the future holds seems to be largely dependent upon the managerial ability of the DCI, the Director of CIA, and the organizational structure that they must work within. To begin with, some of the most troublesome problems of the past would no longer have any relevance. There would be no controversy over who produces national intelligence. Similarly, the argument that the DCI, whatever you call him, is still the Director of CIA first and foremost, would lose credibility as the Director of CIA and the program managers of the CCP and NRP would have the same leader. Disputes among these giants of the Community would have the same forum for argument, the same route for appeal and the same judge for decisions. CIA's special relationship with the DCI would no longer detract from the DCI's credibility in the Community as a dispenser of resources and an arbiter of disputes.

New Management Problems

Nevertheless, a very real jurisdictional conflict remains. The benefits of granting the DCI line command and budgetary control over such major parts of the Intelligence Community must be balanced by the immediate management problems that he would have as a result of his increased authority. Given time, good will and a pragmatic approach your new challenges appear manageable. First we should

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recognize that you have the authority over the national intelligence programs that is necessary to carry out your responsibilities, we have in turn increased the Secretary of Defense's concern that the tactical requirements of the Services will not receive adequate attention. This is an essential point and the very real concerns of DOD must be satisfied. Some of the collection capability of the CCP and NRP is tactical by any definition and it may be wise to transfer the clearly tactical portions of these national intelligence programs to the DOD. This could take place over a period of time to avoid the disruption that would be caused by an abrupt shift. Even with a DOD tactical intelligence collection capability and the best of intent, there would be areas of real disagreement between DOD and the DCI over what portion of national intelligence resources should be used to satisfy DOD requirements. The command relationship between the DCI and the NSC and the strong DOD position on the NSC should provide the Secretary and the Joint Chiefs with both an adequate appeal mechanism and a forum to bring pressure on the DCI to be more responsible. An NSC committee chaired by the President's Assistant for National Security Affairs with clear policy guidance jurisdiction over the DCI and his national foreign intelligence programs could lessen DOD concern on this issue. The war and peace resource control controversy is also an integral part of the DCI's inter-relationship with the Secretary of Defense. An arrangement that assured DOD that their wartime intelligence needs would be accommodated could also alleviate further their concern over the loss of DOD command control over CCP and NRP. Some parts of the General Defense Intelligence Program are concerned with strategic intelligence of national interest and could be examined on a case-by-case basis to see if they should be included under the DCI's authority over national intelligence programs.

Whatever shape the reorganization of the Intelligence Community takes and however the scope of your role is defined, the DCI should establish the capability to make significant internal realignments of national intelligence elements and committees under his command in the coming years.

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